RESEARCH HIGHLIGHT

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INTRODUCTION

Expansion of the housing stock has its roots ultimately in population growth. All else being equal, larger populations require more housing than smaller populations.

Household formation is the means by which population growth is transformed into demand for new housing. Faced with an array of choices and costs prevailing in the housing market, individuals and families choose where and with whom they wish to live. Households form, dissolve and change composition as people age and make adjustments to their living arrangements.

Over time, housing construction in Canada tends to parallel changes in household formation. Construction is influenced by the rate of household growth, but household formation is in turn constrained by the availability of housing.[1] When housing is scarce, individuals and families considering establishing households may opt instead to continue sharing lodging if what is on the market does not suit their budgets or otherwise meet their needs.

Using census data, this *Research Highlight* examines household formation in Canada from 1971 to 2006. It relates growth in the number of households to the number of new homes constructed, reviews shifts in this relationship over the last three and a half decades, and discusses factors that influence this relationship. Turning to recent developments, it explores household formation in major urban housing markets, linking differences in the rate of household growth to substantial differences in construction activity.

In this *Highlight*, the terms "net household formation" and "household growth" are used interchangeably. Net household formation is the net increase or decrease—the growth, in other words—in the number of households over time. There is no way of knowing how many households form or dissolve during a given period. Household estimates show only the total number of households on given dates, from which net changes can be derived.

Estimates of average annual household formation obtained by taking the difference between census household counts are approximations. Varying coverage levels across Censuses can affect the accuracy of these estimates.[2] Statistics Canada produces estimates of the population missed by each Census, but not of the households missed.

Estimates presented here of household growth in metropolitan areas from 2001 to 2006 are derived from census data on dwellings occupied by usual residents, which were released by Statistics Canada in March, 2007. For the purpose of examining growth, these data have the advantage that they control for changes over time to boundaries of Census Metropolitan Areas. They differ slightly from 2006 household data released by Statistics Canada in September, 2007. All national estimates of household growth in this *Highlight* are derived from household estimates, not the dwelling estimates.

All metropolitan data discussed below refer to Census Metropolitan Areas (CMAs). Statistics Canada defines a CMA as a community with an urban core population of at least 50,000 and a total population of at least 100,000.

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1 In the short term, households can occupy previously vacant stock, but for household formation to continue over the long term, the housing stock must grow.

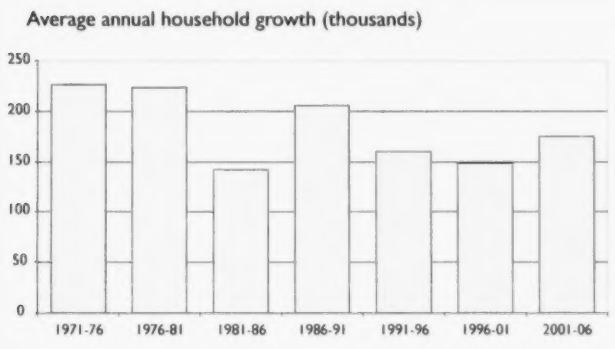
2 For example, if the undercount (the percentage of the population missed) is larger in the later of two Censuses, estimates of growth developed by taking the difference between census counts in these two years will tend to underestimate true growth. On balance, there is a slight tendency for census-based estimates to underestimate true growth: even if the rate of undercount was constant over time, growth estimates would underestimate true growth by an amount equal to the percentage rate of undercoverage. Any discussion of the potential effects of undercoverage on household counts is purely hypothetical since coverage estimates generated by Statistics Canada focus on the population missed, not on households. Coverage studies for the 2006 Census are not scheduled to be completed until 2008.

Canada

CMHC SCHL
HOME TO CANADIANS

RECENT STRENGTH IN HOUSEHOLD FORMATION

The rate of household growth in Canada fell over the past three and a half decades, but not without considerable short-term fluctuation (*see* Figure 1). In the 1970s, when population growth was relatively strong and much of the large post-war baby boom generation began leaving home, the number of households in Canada increased by well over 200,000 annually.[3] During the decade, Canadians lived, on average, in progressively smaller households, a development that also contributed to the high rate of household formation.



Source: CMHC, adapted from Statistics Canada (Census of Canada)

Figure 1 Household growth, Canada, 1971–2006

Household growth dropped considerably in the early 1980s, a time of recession, high interest rates and slower population growth (*see* Figure 2).[4] When more rapid population growth returned in the late 1980s, household formation strengthened as well, though it did not quite reach the heights of the 1970s. In the 1990s, when population growth slowed and the generation entering the housing market was smaller than in previous decades, the annual growth in households fell to an average of slightly over 150,000.

The shift towards slower household growth reversed, at least temporarily, after 2001. From 2001 to 2006, annual net household formation averaged 174,900, up from 148,600 between 1996 and 2001 (*see* Table 1).[5]

SOURCES OF HOUSEHOLD GROWTH: 2001 TO 2006

Household growth can be thought of as the combined outcome of three factors:

1. Population growth–All else being equal, faster-growing populations will form more households than slow-growing populations.
2. Population aging (maturation)–Young people are less likely to live independently and more likely to share accommodation than older people. Older populations tend to form more households than younger populations because relatively more of the population has reached an age when independence, financial and otherwise, is the norm. As populations mature, the average size of households tends to fall: empty-nester and one-person households become more common and couples with children less common.
3. The propensity of the population to form households (choice of living arrangement)–A given population can group itself into households in any number of ways. A variety of social and economic forces can influence living arrangements. Social factors include attitudes towards marriage, cohabitation, divorce, separation and child-rearing. Economic factors, such as the rate of income growth and changes in mortgage rates, govern the extent to which individuals and families are able to act upon their housing preferences.

Although it might be supposed that the strong economy in recent years provided a boost to household formation by giving individuals and families the financial resources to enable them to live independently, there is no obvious evidence of this effect. In fact, individual age segments of the population in 2006 were on the whole somewhat less likely to maintain households than in 2001.[6] In other words, had each age group exhibited the same readiness to head or maintain households in 2006 as in 2001, more households would have been formed than was actually the case.[7]

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3 References in the text to historical periods, such as "the 1970s" describe intervals between census dates, in this instance between the 1971 and 1981 census dates.

4 Some of the apparent drop in household formation during the 1981–86 period could reflect an increase in the rate of population undercoverage in the 1986 Census.

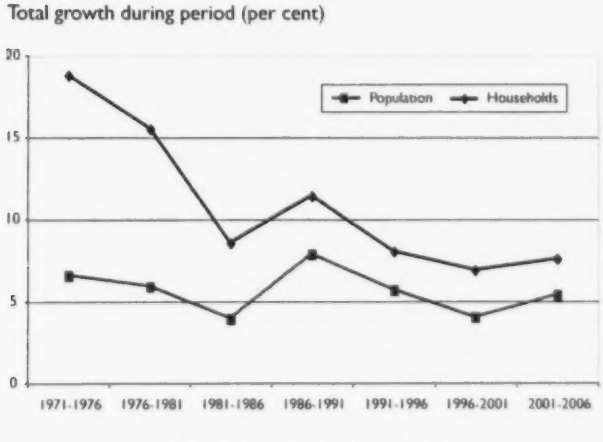
5 Coverage studies indicate that the 2001 Census missed a somewhat higher proportion of the population than the 1996 Census. It seems likely therefore that census data understate household growth between 1996 and 2001 relative to the 1991-96 period.

6 Statistics Canada defines a household maintainer as the person or one of the people responsible for paying such costs as rent or mortgage, taxes, and electricity for the dwelling.

7 The discussion presents a decomposition of household growth into a population growth effect, a population maturation effect, and a headship rate (or household formation propensity) effect. A headship rate is the percentage of people in an age group who opt to head (maintain) households. It is a measure of the readiness of a population to form households. The population growth effect was determined by allowing population growth to match actual growth from 2001 to 2006 while holding both the population age distribution and headship rates at their 2001 levels. The maturation effect was computed by fixing both the total population size and headship rates at their 2001 levels and allowing the age distribution to shift to match actual changes from 2001 to 2006. The headship rate effect was measured by multiplying the 2001 population by 2006 headship rates and comparing the resultant household count against the number of households in 2001.

Upwards of two-thirds of the household growth that occurred from 2001 to 2006 was attributable to the increase in the total size of the population. Another third reflected changes in the age composition (maturation) of the population during the period. As has been the case for decades, household growth outpaced population growth (*see* Figure 2), and average household size continued to fall, a consequence of population aging.

Just as population growth was the main influence on household formation from 2001 to 2006, it was also the reason why household formation was higher than during the late 1990s. In comparison to the late 1990s, population growth strengthened somewhat in recent years (*see* Figure 2), mostly as a result of rising immigration.[8] Had population growth not increased, household growth from 2001 to 2006 would have been roughly comparable to the growth recorded in the second half of the 1990s.[9] In sum, evidence suggests the recent increase in household formation reflected demographic influences, rather than the sort of behavioural changes that might have been attributable to the influence of a robust economy.



Source: CMHC, adapted from Statistics Canada (Census of Canada)

Figure 2 Population and household growth, Canada, 1971–2006

Table 1 Net household formation and housing completions, annual averages and cumulative totals, Canada, 1971–2006 (thousands)

	Net Household Formation	Housing Completions
	Annual averages	
1971-1976	226.3	235.1
1976-1981	223.1	222.3
1981-1986	142.0	152.1
1986-1991	205.3	208.0
1991-1996	160.4	150.3
1996-2001	148.6	139.9
2001-2006	174.9	200.0
	Cumulative totals	
1971-2006	6,403.0	6,538.7

Completions based on totals for the 3rd quarter of the initial year through the 2nd quarter of the last year.

Source: CMHC (Starts and Completions Survey) and adapted from Statistics Canada (Census of Canada)

HOMEBUILDING PARALLELS HOUSEHOLD FORMATION

Homebuilding activity tends to move in sync with changes in household formation. Housing completions averaged over 225,000 annually in the 1970s, when household formation was relatively high, but less than 150,000 in the 1990s, when household formation was relatively low (*see* Table 1). From 1971 to 2006, the total increase in the number of households in Canada (6.4 million) was almost identical to the number of new homes completed (6.5 million).[10]

Although household formation and housing construction tend to trace similar paths over time, gaps between the two regularly occur. From 2001 to 2006, the number of new homes constructed in Canada surpassed the net change in households by a considerable margin. During this period, approximately 1 million new homes were completed in total, while the net increase in households stood at under 900,000. The gap between construction and household formation was larger than at any other time since 1971. In the 1990s, the reverse was the case: net household formation exceeded housing completions.

8 During the five years ending June 30, 2006, an average of around 240,000 immigrants landed in Canada each year, compared to about 210,000 annually in the previous five years.

9 This statement was verified by projecting a hypothetical 2006 population using the 1996–2001 population growth rate, distributing this population by age using the 2006 population age distribution, and multiplying by 2006 headship rates to generate a household count.

10 Seasonal dwellings, such as summer cottages, hunting and ski cabins, trailers and boat houses, are excluded from CMHC's *Starts and Completions Survey*. Dwellings enumerated are those designed for year-round occupancy.

THE HOUSING STOCK, HOUSING CONSTRUCTION, AND HOUSEHOLD FORMATION

The relationship between housing completions and household formation is complicated by a number of factors. The housing stock grows as a result of completions of new homes as well as conversions that either transform non-residential properties into homes or create additional housing units within existing residential structures.[11] The housing stock shrinks whenever housing is destroyed, abandoned, or converted to non-residential use. At any moment, the housing stock comprises principal residences, secondary residences and vacant (unoccupied) dwellings. Since each household has a unique usual place of residence, the number of principal residences equals the number of households. It follows that the size of the housing stock could change independently of the number of households if the number of vacancies or the number of secondary homes or both changed.

Based on the preceding, housing completions could exceed household formation for a variety of reasons. Some possibilities include the following:

- In addition to accommodating increased numbers of households, construction must make up for homes lost from the housing stock through demolition, abandonment or conversion to other uses.
- Migration of households within Canada can increase the need for new homes by redistributing population from areas that have housing to areas that may be short of it.[12]
- Households can own and occupy more than one dwelling. If homes that might otherwise be used as principal residences are used instead as second homes, vacation homes or cottages, more homes must be built to meet demands by other households for primary residences.
- Tenure shifts can raise the need for new construction if large numbers of renter households opt to buy homes, leaving empty apartments in their wake.[13]
- Builders may–in the short-run at least–simply produce too many homes. In deciding what and how much to build, firms evaluate market signals such as prices, vacancy rates and showroom traffic, but knowledge is imperfect and the future uncertain. It may take time to recognize that market conditions have changed and to adjust production.

POSSIBLE FACTORS BEHIND THE RECENT GAP BETWEEN CONSTRUCTION AND HOUSEHOLD FORMATION

It is difficult to assess the factors underlying the gap observed between the rate of housing completions and household growth in the period from 2001 to 2006. Required data are in many cases incomplete or of insufficient precision to allow for a precise accounting.[14]

Migration of households within Canada and losses of housing units from the existing housing stock are both ongoing. On the surface at least, there is little to suggest that these factors altered appreciably in recent years. The volume of interprovincial migration has not varied significantly over the past decade and a half.[15]

There is no commonly accepted estimate of the number of housing units required to replace those lost through demolition or conversion. What data are available put annual losses in Canada as a whole at only a few thousand units a year (*see* Figure 3), too small to account for more than a fraction of the recent gap between construction levels and household growth).[16] Estimates show little change over the last decade and a half in the net number of residential units lost. Losses in recent years were slightly higher than in the late 1990s but somewhat lower than in the early 1990s.[17] Differences across five-year periods (1991-1995, 1996-2000, 2001-2005) were not large, however, amounting in total to only a few thousand units.

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11 The number of units in the stock also increases through completion of mobile homes. Mobile homes that are not mounted on a permanent foundation are not counted by CMHC's *Starts and Completions Survey*.

12 Migration into Canada from other countries also increases the demand for housing, but it simultaneously increases the number of households in Canada. Movement of households within Canada does not increase the number of households. The discussion here focuses on why the number of homes constructed might exceed growth in households.

13 In the long-run, the increased demand for new ownership dwellings would be offset by a corresponding reduction in the need for new rental housing.

14 For example, Statistics Canada has terminated production of housing stock estimates formerly generated using a component approach involving estimation of demolitions, conversions and completions. Estimates discussed below of losses from the housing stock were derived from unpublished data on demolitions, conversions and deconversions provided to CMHC by Statistics Canada. The extent to which these estimates, compiled by Statistics Canada from building permits, might understate the true level of demolition and conversion activity is unknown. Estimates of secondary residences presented later in this *Highlight* are based on a small sample and come from a survey (Statistics Canada's *Survey of Financial Security*) that is conducted on an irregular basis. The survey does not identify whether the secondary residences in question are suitable for year-round occupancy.

15 The total number of interprovincial migrants was 1.5 million in 1991–1996, 1.4 million in 1996–2001 and 1.4 million in 2001–2006. Totals are based on the 3rd quarter of the initial year of the period through the 2nd quarter of the last year.

16 Stock losses equal demolitions plus conversions from residential to non-residential use minus the number of residential units created through conversions.

17 Estimates put net losses from the housing stock at about 30,000 from 1991 to 1995, 18,000 from 1996 to 2000, and 23,000 from 2001 to 2005.

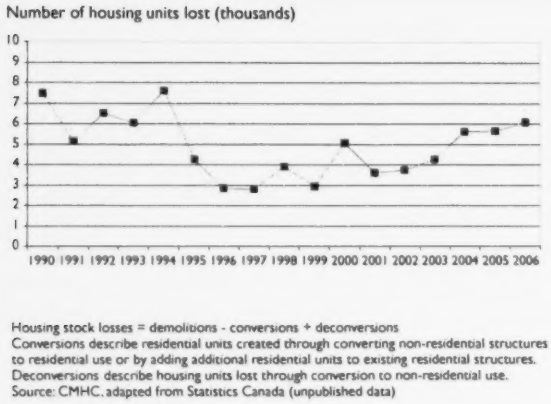

Number of housing units lost (thousands)
10
9
8
7
6
5
4
3
2
1
0
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006
Housing stock losses = demolitions - conversions + deconversions
Conversions describe residential units created through converting non-residential structures to residential use or by adding additional residential units to existing residential structures.
Deconversions describe housing units lost through conversion to non-residential use.
Source: CMHC, adapted from Statistics Canada (unpublished data)

Figure 3 Housing stock losses, Canada, 1990–2006

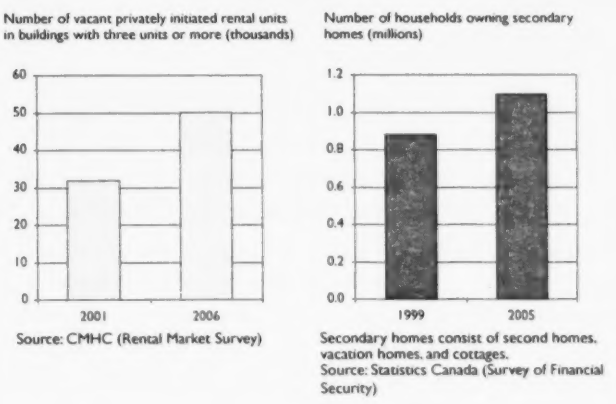


Figure 4 Rental vacancies and secondary homes, Canada, recent years

While ongoing replacement of units lost from the housing stock accounted for some of the excess of housing construction over household formation, other factors also played a role. Rental vacancies and secondary homes both increased in recent years.

Given a boost by growing employment and incomes and attractive mortgage rates, the homeownership rate in Canada rose from 65.8 per cent in 2001 to 68.4 per cent in 2006—the largest increase between censuses dating back to 1971. In conjunction with this movement of households into homeownership, the vacancy rate for privately initiated rental buildings of three units or more rose from 1.7 per cent in 2001 to 2.7 per cent in 2006. This change translated into an increase of about 20,000 in the number of vacant rental units (*see* Figure 4). The total increase in rental vacancies was likely larger than this figure since the conventional rental projects surveyed account for under half of all rental units in Canada.[18] Other rental units not covered by surveys–the so-called secondary rental market–include condominium rentals, rentals of freehold row houses and rental units in structures with fewer than three units.

From 1999 to 2005, the number of Canadian households owning second homes, vacation homes, or cottages increased by almost a quarter.[19] Around 1.1 million households owned such homes in 2005, approximately 200,000 more than in 1999 (*see* Figure 4).[20] Roughly three-quarters of these homes were located in Canada.[21] About nine per cent of households in Canada owned second homes, vacation homes, or cottages, up from eight per cent in 1999. It is possible that some of the additional second homes, vacation homes and cottages were not built during the period but rather were homes that shifted from full-time to part-time occupancy (use as secondary residences). Nevertheless, acquisition of second homes, vacation homes and cottages that would otherwise be suitable for year-round occupancy means that additional homes must be constructed to meet demands by other households for principal residences.

Baby boomers were responsible for much of the increase in second homes, vacation homes and cottages. Households with maintainers aged 45 to 64 accounted for almost three-quarters of the total increase in households owning secondary homes.[22] From 1999 to 2005, the number of households with maintainers in this age group rose by about a quarter as more and more baby boomers reached these ages.[23] The percentage of households in this age group owning secondary homes was slightly higher in 2005 (12 per cent) than in 1999 (11 per cent). In 2005, half (51 per cent) of all owners of secondary residences were aged 45 to 64–ages when household incomes and net worth are typically at a peak.

18 For example, in 2006 there were 3.9 million rental households in Canada, but only 1.9 million rental units in privately initiated structures of three or more units.

19 Data on second homes, vacation homes, and cottages come from the 1999 and 2005 editions of Statistics Canada's *Survey of Financial Security* (SFS).

20 The number of second homes, vacation homes and cottages would have been more than 1.1 million since some households would have owned more than one secondary residence.

21 The quoted percentage of domestic holdings is only approximate since the format of the data did not allow for a precise breakdown of the number of Canadian and foreign second homes, vacation homes, and cottages. Without going into detail, the SFS essentially aims to establish the value of real estate holdings, not the number of individual homes held. Small sample sizes also limit precision of estimates. In addition, the SFS does not distinguish between seasonal dwellings and those that are suitable for year-round occupancy.

22 In the context of the *Survey of Financial Security*, the household maintainer is typically the person in the household with the highest income.

23 In 2005, baby boomers would have ranged in age from about 40 to 60.

VARIATION IN HOUSEHOLD FORMATION ACROSS CANADA

The rate of household growth in Canada varies significantly from city to city. Large differences across local markets reflect significant disparities in population growth. Although the rate of population growth in Canada is modest overall, growth is comparatively rapid in some parts of the country and negligible or even non-existent in others. One of the factors driving population growth is the performance of the labour market. Cities with growing employment and incomes attract migrants.[24] Jobs generate the funds that people require if they are to form households. Without solid employment prospects and reliable incomes, individuals and families who might otherwise choose to live on their own may opt instead to save on shelter costs by living with others.

Most of the cities with high rates of household growth in recent years were in Alberta, Ontario and British Columbia. For the past three decades and more, these three provinces stand alone for having consistently recorded population growth rates above the national average. From 2001 to 2006, Moncton, Sherbrooke and St. John's were the only metropolitan areas in other parts of Canada with above-average rates of household growth (*see* Figure 5). During this period, Barrie had the highest rate of household formation of any metropolitan area in Canada, followed by Calgary. Two of the three growth leaders—Barrie and Oshawa—are near Toronto, which itself generated considerable household formation. At current rates of growth, Barrie's population would double in 20 years, Calgary's in less than 30.

During this period, cities near the top of the household growth ranking also tended to be among the leaders in population growth and employment growth (*see* Table 2). For example, Barrie had the highest rate of household growth, the highest rate of population growth and the highest rate of employment growth of any metropolitan area. By contrast, cities—such as Saint John, Sudbury, and Saguenay—with low rates of household formation generally had slow-growing populations and relatively little job creation. Similar patterns were evident in the period from 1996 to 2001, when cities with relatively high rates of household formation were again concentrated in Alberta, Southern Ontario and British Columbia (*see* Appendix Table 1).[25]

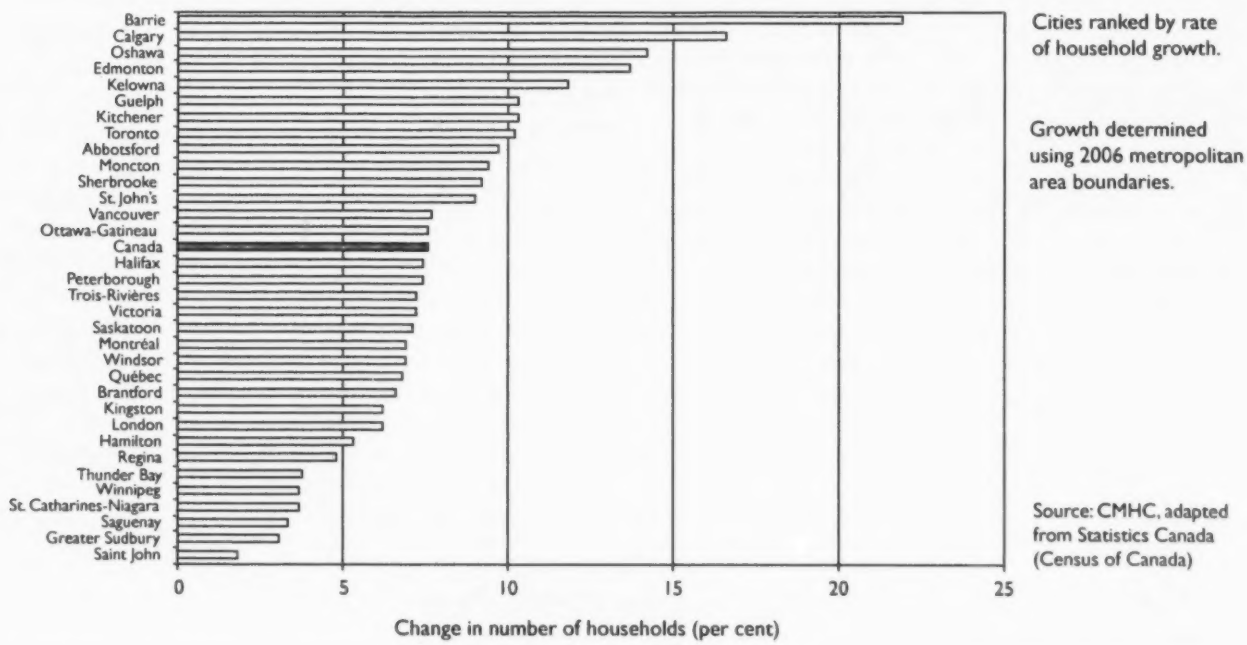


Figure 5 Household growth, Canada and Census Metropolitan Areas, 2001—2006

24 Migrants may also be attracted to cities for reasons other than job prospects, for example, to destinations that are magnets for retirees or for immigrants. Among immigrants, the presence of either family members or friends is the most important reason for choosing a particular destination in Canada. Statistics Canada, *Longitudinal Survey of Immigrants to Canada: Process, Progress and Prospects*, Catalogue no. 89-611 XIE (Ottawa: Statistics Canada, 2003), pp. 13-15.

25 The data for 1996-2001 in the appendix table do not include the six new Census Metropolitan Areas—Barrie, Brantford, Guelph, Kelowna, Moncton, and Peterborough—added by Statistics Canada in 2006.

Despite shrinking populations in two urban centres (Saguenay and Saint John) and negligible growth in others, the number of households in metropolitan areas increased between 2001 and 2006. In fact, household growth exceeded population growth in all these centres, an indication that the size of the average household continued to fall as it has for decades (*see* Appendix Table 2). Social changes, such as rising divorce rates and shrinking family sizes, are one reason for the long-term drop in household size. The aging of the population is another factor. With advancing age comes the departure of children from the parents' home and eventually the death of spouses.

Table 2 Household, population, and employment growth, Canada and Census Metropolitan Areas, 2001–2006

	Household growth		Population growth		Employment growth	
	Per cent	Rank	Per cent	Rank	Per cent	Rank
Canada	**7.6**	**-**	**5.4**	**-**	**10.3**	**-**
All metropolitan areas	**8.5**	**-**	**6.9**	**-**	**10.6**	**-**
Barrie	21.9	1	19.2	1	26.0	1
Calgary	16.6	2	13.4	2	16.3	3
Oshawa	14.2	3	11.6	3	16.3	4
Edmonton	13.7	4	10.4	4	10.6	15
Kelowna	11.8	5	9.8	5	15.4	6
Guelph	10.3	6	8.2	8	9.0	20
Kitchener	10.3	7	8.9	7	12.6	11
Toronto	10.2	8	9.2	6	10.4	16
Abbotsford	9.7	9	7.9	9	15.3	7
Moncton	9.4	10	6.5	10	12.9	10
Sherbrooke	9.2	11	6.3	12	10.1	17
St. John's	9.0	12	4.7	20	9.2	18
Vancouver	7.7	13	6.5	11	14.2	8
Ottawa-Gatineau	7.6	14	5.9	13	11.3	13
Halifax	7.4	15	3.8	23	8.1	21
Peterborough	7.4	16	5.1	17	17.4	2
Trois-Rivières	7.2	17	2.9	27	5.0	30
Victoria	7.2	18	5.8	14	16.2	5
Saskatoon	7.1	19	3.5	26	12.2	12
Montréal	6.9	20	5.3	16	9.2	19
Windsor	6.9	21	5.0	19	6.0	27
Québec	6.8	22	4.2	22	11.2	14
Brantford	6.6	23	5.5	15	14.0	9
Kingston	6.2	24	3.8	24	8.1	22
London	6.2	25	5.1	18	7.3	24
Hamilton	5.3	26	4.6	21	7.1	26
Regina	4.8	27	1.1	30	5.2	29
Thunder Bay	3.8	28	0.8	31	-0.2	33
Winnipeg	3.7	29	2.7	28	5.4	28
St. Catharines-Niagara	3.7	30	3.5	25	2.1	32
Saguenay	3.4	31	-2.1	33	4.0	31
Greater Sudbury	3.1	32	1.7	29	7.6	23
Saint John	1.8	33	-0.2	32	7.3	25

Metropolitan areas ranked by rate of household growth. Metropolitan household growth derived from data on dwellings occupied by usual residents (March 2007 census release). National household growth derived from household estimates (September 2007 census release).

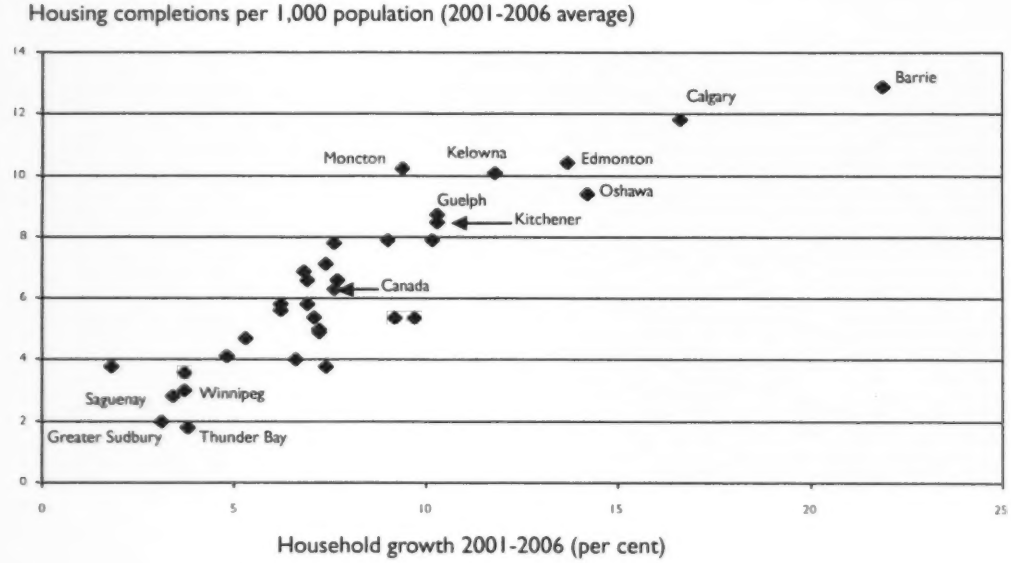
Employment growth based on average monthly employment in 2001 and 2006.

Source: CMHC, adapted from Statistics Canada (Census of Canada and CANSIM)

HOUSEHOLD GROWTH DRIVES HOUSING CONSTRUCTION IN URBAN MARKETS

The rate of homebuilding in urban centres with high rates of household growth is much higher than in markets with comparatively little household formation (*see* Figure 6). From 2001 to 2006, the two metropolitan areas with the highest rates of household growth—Barrie and Calgary—also had the highest number of housing completions per capita. In per capita terms, the number of homes built in slow-growing centres like Thunder Bay and Greater Sudbury was as little as one-sixth the number in high-growth centres. Because of wide variation in the growth rates of urban populations, the volume of residential construction differed a great deal in cities of roughly comparable size, for example, Barrie and Kelowna on the one hand and Saguenay, Greater Sudbury, and Thunder Bay on the other (*see* Table 3).

Consistent with the general increase in residential construction in Canada, per capita homebuilding rates were higher in almost all metropolitan areas from 2001 to 2006 than in the previous five years. From 2001 to 2006, housing construction surpassed household formation in most metropolitan areas, as it did in Canada overall (see Table 3). Possible reasons for such an excess were discussed earlier. In the previous five years, by contrast, net household formation exceeded housing completions in Canada and in the majority of metropolitan areas (*see* Appendix Table 3).



Population data from 2006 Census of Canada. Includes 33 Census Metropolitan Areas.
Housing completions based on annual average for 3rd quarter of 2001 through 2nd quarter of 2006.
Source: CMHC (Starts and Completions Survey) and adapted from Statistics Canada (Census of Canada)

Figure 6 Per capita housing completions and household growth, Canada and Census Metropolitan Areas, 2001–2006

Table 3 Household growth[1] and housing completions, Canada and Census Metropolitan Areas, 2001–2006

	Households 2001[2]	Households 2006	Household Growth (per cent)	Average Annual Household Formation	Average Annual Housing Completions[3]	Housing Completions per 1,000 Population[4]
Canada	**11,562,975**	**12,437,470**	**7.6**	**174,899**	**199,979**	**6.3**
All metropolitan areas	**7,742,124**	**8,400,536**	**8.5**	**131,682**	**151,314**	**7.0**
Barrie	52,404	63,877	21.9	2,295	2,292	12.9
Calgary	356,407	415,592	16.6	11,837	12,772	11.8
Oshawa	104,203	119,028	14.2	2,965	3,122	9.4
Edmonton	356,517	405,311	13.7	9,759	10,715	10.4
Kelowna	59,877	66,925	11.8	1,410	1,643	10.1
Guelph	44,219	48,775	10.3	911	1,108	8.7
Kitchener	153,277	169,063	10.3	3,157	3,816	8.5
Toronto	1,634,755	1,801,071	10.2	33,263	40,633	7.9
Abbotsford	51,022	55,948	9.7	985	853	5.4
Moncton	47,180	51,593	9.4	883	1,293	10.2
Sherbrooke	75,800	82,747	9.2	1,389	1,009	5.4
St. John's	64,831	70,663	9.0	1,166	1,435	7.9
Vancouver	758,713	817,033	7.7	11,664	13,950	6.6
Ottawa-Gatineau	417,385	449,031	7.6	6,329	8,854	7.8
Halifax	144,435	155,138	7.4	2,141	2,638	7.1
Peterborough	43,471	46,667	7.4	639	440	3.8
Trois-Rivières	59,580	63,893	7.2	863	713	5.0
Victoria	135,601	145,388	7.2	1,957	1,624	4.9
Saskatoon	88,944	95,257	7.1	1,263	1,257	5.4
Montréal	1,426,582	1,525,629	6.9	19,809	21,161	5.8
Windsor	117,712	125,848	6.9	1,627	2,135	6.6
Québec	296,490	316,533	6.8	4,009	4,923	6.9
Brantford	44,904	47,847	6.6	589	493	4.0
Kingston	58,334	61,978	6.2	729	855	5.6
London	174,085	184,946	6.2	2,172	2,633	5.8
Hamilton	253,083	266,377	5.3	2,659	3,274	4.7
Regina	76,653	80,323	4.8	734	791	4.1
Thunder Bay	49,545	51,426	3.8	376	220	1.8
Winnipeg	271,639	281,745	3.7	2,021	2,056	3.0
St. Catharines-Niagara	150,874	156,386	3.7	1,102	1,394	3.6
Saguenay	62,197	64,315	3.4	424	430	2.8
Greater Sudbury	63,143	65,076	3.1	387	317	2.0
Saint John	48,262	49,107	1.8	169	465	3.8

1 Metropolitan household data are estimates of dwellings occupied by usual residents released by Statistics Canada in March, 2007. National household data are census household counts released in September, 2007.

2 Data for 2001 reflect 2006 Census Metropolitan Area boundaries. Between 2001 and 2006, CMA boundaries changed in Moncton, Québec, Sherbrooke, Montréal, Ottawa-Gatineau, Peterborough, Brantford, London, Winnipeg and Calgary.

3 Average annual housing completions based on 3rd quarter 2001 through 2nd quarter 2006.

4 Calculations based on 2006 census populations and average annual housing completions.

Metropolitan areas ranked by rate of household growth.

Source: CMHC (Starts and Completions Survey) and adapted from Statistics Canada (Census of Canada)

Since population growth in Canada is expected to decline gradually over the next 50 years, household growth could weaken as well.[26] Unless their fortunes turn around, markets that have seen little household growth recently could witness even slower growth in the future, perhaps to the point where the number of households does not increase at all. In such circumstances, demand for new housing is likely to be low. Some new construction would be required to replace units lost from the housing stock. In addition, new homes might be needed to meet demands for homeownership, including second homes and custom homes. Overall, however, the bulk of spending on residential construction would likely be directed at maintaining and adapting an aging housing stock.

SUMMARY

Population growth feeds housing demand via household formation. As the number of households increases, the housing stock must expand accordingly. In the interval between the 2001 and 2006 Censuses, annual household formation in Canada was higher than in the previous decade, a consequence largely of moderately increased population growth. Even so, the net change in the number of households was considerably less than the number of new homes constructed from 2001 to 2006. Evidence suggests that a substantial movement of households into homeownership as well as increasing ownership of second homes, vacation homes, and cottages contributed to the excess of housing construction over household formation.

Across urban housing markets, the rate of household formation varied significantly in the past decade, reflecting large underlying differences in population growth. In turn, population growth differences were often associated with the job creation records of local economies. Most of the cities with high rates of household, population, and employment growth were located in Alberta, Southern Ontario and British Columbia.

Household formation is an important influence on the volume of residential construction. The rate of homebuilding is generally much higher in urban centres with high rates of household growth than in other centres. In most urban centres, housing completions per capita were higher from 2001 to 2006 than in the previous five years, a reflection of generally higher household formation during the later period.

Since population growth in Canada is expected to decline gradually, cities in which there is currently relatively little household growth could see household formation dwindle further. In such circumstances, the contrast between high-growth markets with substantial volumes of residential construction and low-growth markets would be at least as apparent as it is today.

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26 Unless fertility, life expectancy and especially immigration increase, Statistics Canada expects the growth of Canada's population to slow. Long-term projections of population growth are discussed in Alain Bélanger, Laurent Martel, and Éric Caron-Malenfant, *Population Projections for Canada, Provinces and Territories* 2005-2031. (Ottawa: Statistics Canada, 2005), p.39.

Appendix Table 1 Household, population, and employment growth, Canada and Census Metropolitan Areas, 1996-2001

	Household growth		Population growth		Employment growth	
	Per cent	Rank	Per cent	Rank	Per cent	Rank
Canada	**6.9**	-	**4.0**		**11.4**	-
All metropolitan areas	**8.0**	-	**6.2**	-	**14.2**	-
Calgary	16.7	1	15.8	1	25.0	1
Edmonton	11.4	2	8.7	4	14.2	6
Oshawa	11.2	3	10.2	2	17.5	4
Toronto	9.8	4	9.8	3	19.3	2
Halifax	9.8	5	4.7	11	12.9	9
Vancouver	9.5	6	8.5	5	9.8	18
Abbotsford	9.4	7	8.0	7	13.9	7
Kitchener	9.1	8	8.2	6	12.6	11
Ottawa-Gatineau	9.1	9	6.5	9	18.4	3
Windsor	8.5	10	7.3	8	11.6	13
Sherbrooke	7.6	11	2.8	15	11.0	15
St. John's	7.5	12	-0.7	22	11.3	14
Hamilton	7.4	13	6.1	10	14.7	5
Québec	6.9	14	1.6	17	8.8	20
London	6.6	15	3.8	12	12.8	10
Montréal	5.7	16	3.0	14	12.1	12
Kingston	5.3	17	1.6	18	13.3	8
Saskatoon	5.2	18	3.1	13	7.2	22
Victoria	4.8	19	2.5	16	5.7	24
St. Catharines-Niagara	4.4	20	1.2	19	8.7	21
Saguenay	3.8	21	-3.4	25	9.7	19
Trois-Rivières	3.3	22	-1.7	23	5.1	25
Winnipeg	3.1	23	0.6	20	10.1	17
Regina	2.6	24	-0.4	21	6.1	23
Saint John	2.6	25	-2.4	24	10.1	16
Thunder Bay	0.7	26	-3.7	26	2.0	26
Greater Sudbury	-1.0	27	-6.0	27	1.5	27

Employment growth based on average monthly employment in 1996 and 2001.

Metropolitan areas ranked by rate of household growth.

Source: CMHC, adapted from Statistics Canada (Census of Canada and CANSIM)

Appendix Table 2 Average household size (persons), Canada and Census Metropolitan Areas, 2001 and 2006

	2001	2006
Canada	**2.55**	**2.50**
All metropolitan areas	**2.56**	**2.52**
St. John's	2.63	2.53
Halifax	2.46	2.37
Moncton	2.47	2.40
Saint John	2.51	2.45
Saguenay	2.45	2.31
Québec	2.26	2.21
Sherbrooke	2.25	2.21
Trois-Rivières	2.24	2.16
Montréal	2.38	2.34
Ottawa-Gatineau	2.52	2.48
Kingston	2.42	2.38
Peterborough	2.47	2.44
Oshawa	2.81	2.75
Toronto	2.84	2.81
Hamilton	2.58	2.56
St. Catharines-Niagara	2.45	2.45
Kitchener	2.67	2.63
Brantford	2.51	2.56
Guelph	2.61	2.57
London	2.46	2.44
Windsor	2.59	2.54
Barrie	2.80	2.74
Greater Sudbury	2.43	2.39
Thunder Bay	2.42	2.35
Winnipeg	2.44	2.42
Regina	2.47	2.39
Saskatoon	2.50	2.42
Calgary	2.64	2.57
Edmonton	2.59	2.52
Kelowna	2.43	2.39
Abbotsford	2.84	2.79
Vancouver	2.59	2.56
Victoria	2.25	2.21

Source: CMHC, adapted from Statistics Canada (Census of Canada)

Appendix Table 3 Household growth and housing completions, Canada and Census Metropolitan Areas, 1996-2001

	Households 1996[1]	Households 2001	Household Growth (per cent)	Average Annual Household Formation	Average Annual Housing Completions[2]	Housing Completions per 1,000 Population[3]
Canada	**10,820,050**	**11,562,975**	**6.9**	**148,585**	**139,904**	**4.7**
All metropolitan areas	**6,873,875**	**7,425,835**	**8.0**	**110,392**	**96,886**	**5.0**
Calgary	305,305	356,375	16.7	10,214	10,281	10.8
Edmonton	320,065	356,515	11.4	7,290	5,435	5.8
Oshawa	93,710	104,200	11.2	2,098	2,088	7.0
Toronto	1,488,370	1,634,755	9.8	29,277	27,018	5.8
Halifax	131,520	144,435	9.8	2,583	2,077	5.8
Vancouver	692,960	758,710	9.5	13,150	12,378	6.2
Abbotsford	46,640	51,020	9.4	876	668	4.5
Kitchener	140,460	153,280	9.1	2,564	2,541	6.1
Ottawa-Gatineau	381,225	415,940	9.1	6,943	5,214	4.9
Windsor	108,475	117,710	8.5	1,847	2,173	7.1
Sherbrooke	61,595	66,280	7.6	937	655	4.3
St. John's	60,295	64,830	7.5	907	865	5.0
Hamilton	235,605	253,085	7.4	3,496	3,465	5.2
Québec	275,935	295,105	6.9	3,834	2,128	3.1
London	162,390	173,120	6.6	2,146	1,727	4.0
Montréal	1,341,275	1,417,360	5.7	15,217	10,472	3.1
Kingston	55,390	58,330	5.3	588	565	3.8
Saskatoon	84,535	88,945	5.2	882	1,139	5.0
Victoria	129,350	135,600	4.8	1,250	1,089	3.5
St. Catharines-Niagara	144,505	150,875	4.4	1,274	1,277	3.4
Saguenay	59,940	62,195	3.8	451	391	2.5
Trois-Rivières	57,665	59,580	3.3	383	470	3.4
Winnipeg	261,915	269,985	3.1	1,614	1,470	2.2
Regina	74,695	76,655	2.6	392	543	2.8
Saint John	47,050	48,260	2.6	242	292	2.4
Thunder Bay	49,225	49,545	0.7	64	238	1.9
Greater Sudbury	63,780	63,145	-1.0	-127	226	1.5

1 Data for 1996 are based on 2001 Census Metropolitan Area boundaries. Between 1996 and 2001, CMA boundaries changed in Halifax, Sherbrooke, Ottawa-Gatineau, Kingston, London, Windsor, Sudbury and Thunder Bay.

2 Average annual housing completions based on 3rd quarter 1996 through 2nd quarter 2001.

3 Calculations based on 2001 census populations and average annual housing completions.

Metropolitan areas ranked by rate of household growth.

Source: CMHC *(Starts and Completions Survey)* and adapted from Statistics Canada (Census of Canada)

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65845